

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)	
)	
v.)	
)	Violations: Title 18, United States Code,
RON GHOLDSON)	Sections 1341, 1346, and 2

COUNT ONE

The SPECIAL AUGUST 2006-1 GRAND JURY charges:

1. At times material to this count:

a. Lawson Products, Inc. (“Lawson”) was a publicly traded company located in Des Plaines, Illinois, that sold products to various entities in the public and private sectors. Lawson’s products included hardware, tools, and chemicals. Lawson was the parent company of several subsidiaries. Lawson and its subsidiaries combined to generate approximately \$400 million in sales annually.

b. Drummond American Corporation (“Drummond American”), which was a subsidiary of Lawson and was also located in Vernon Hills, Illinois, sold chemical solutions and inventory control systems to the public and private sectors.

c. Lawson sold its products through sales agents. These sales agents generally were permitted by Lawson to negotiate with their customers over the prices their customers would pay for Lawson’s products. As a general rule, sales agents’ commissions were greater if they sold products at higher prices.

d. Until approximately December 15, 2005, Lawson maintained programs through which sales agents would provide items of value to employees of Lawson customers for

purchasing Lawson products. As a general rule, sales agent could provide items of greater value to customers' employees when those employees purchased more products and at higher prices on behalf of their employers.

e. Keogh, Inc. ("Keogh") was a business located in Lake Bluff and Woodstock, Illinois, that administered a program for Lawson called "Winners Choice." Under this program, Keogh issued checks made payable to the recipients and to retail stores designated by the recipients. Recipients could then use these checks to purchase items in the designated retail stores. There were several steps that occurred before Keogh would issue these checks:

- i. Cold Certificates. The first step was for sales agents to place orders for "cold certificates" from Lawson, which would then inform Keogh of the orders. The sales agents would designate the recipient, the mailing address, the number of cold certificates, and the denomination of the cold certificates. Although the cold certificates were limited to \$10 or \$25 increments, sales agents could order multiple cold certificates totaling far in excess of \$25 to be sent to a recipient.
- ii. Redemption of Cold Certificates. Next, Keogh would ship, via mail or courier, the cold certificates to the recipient at the designated address. Along with the cold certificates, Keogh sent a list of retail stores participating in the Winners Choice program. To redeem the cold certificates, the recipient would fill out an order form by selecting a retail store and the address where Keogh should send the check. The recipient then sent the order form back to Keogh through the mail or online.
- iii. Hot Certificates. Once the recipient had redeemed the cold certificates, Keogh mailed one or more checks, also known as "hot certificates," to the recipient. While each check was written for \$50 or less, Keogh would mail multiple checks in one envelope if the total redemption of cold certificates exceeded \$50. The checks issued by Keogh would list two payees: (1) the individual recipient and (2) the retail store designated by the individual recipient. After receiving the hot certificate or certificates, the individual recipient could use the check at the designated retail store.

f. Individual A was a sales agent with Drummond American and was responsible for selling products to Drummond American customers located in the Indianapolis area.

g. Reilly Industries was a producer of certain chemicals and was headquartered in Indianapolis. Reilly Industries had Code of Business Conduct, by which it required its employees to abide. As part of that Code of Business Conduct, Reilly Industries did not allow its employees to:

- (1) accept gifts of more than a nominal value;
- (2) accept gifts of money;
- (3) engage personally in transactions in which it had an interest; or
- (4) provide favors or unauthorized preferential treatment to vendors in exchange for favor favors or gifts;

h. Defendant **RON GHOLDSON** was an environment supervisor for Reilly Industries. In that capacity, **GHOLDSON** was responsible for purchasing environmental cleaning products on behalf of Reilly Industries. One of **GHOLDSON**'s subordinates was Individual B, who also was responsible for purchasing environmental cleaning products on behalf of Reilly Industries. Based on his position as an environment supervisor, **GHOLDSON** owed a duty of honest services to Reilly Industries, including a duty of undivided loyalty, free of conflict between his personal interests and the interests of Reilly Industries.

i. Individual B was an environmental operator for Reilly Industries. In that capacity, Individual B was responsible for purchasing environmental cleaning products on behalf of Reilly Industries. Based on his/her position as an environment supervisor, Individual B owed a duty of honest services to Reilly Industries, including a duty of undivided loyalty, free of conflict between his/her personal interests and the interests of Reilly Industries.

2. Beginning no later than in or about April 1992 and continuing until at least January 2006, at Des Plaines, Woodstock, and Lake Bluff, in the Northern District of Illinois, and elsewhere,

RON GHOLDSON,

defendant herein, together with Individual A and Individual B, and others known and unknown to the Grand Jury, devised and intended to devise, and participated in, a scheme and artifice to defraud Reilly Industries of money, property, and the intangible right to the honest services of Reilly Industries employees, and to obtain money and property, by means of materially false and fraudulent pretenses, representations, and promises, as further alleged herein.

3. It was part of the scheme that Individual A offered and agreed to provide **GHOLDSON** and Individual B with Winners Choice checks in order to induce them to purchase, and to reward them for purchasing, merchandise such as chemical solutions from Drummond American on behalf of Reilly Industries.

4. It was further part of the scheme that **GHOLDSON** and Individual B purchased, on behalf of Reilly Industries, Drummond American chemical solutions from Individual A at or near the highest prices that Drummond American normally offered the chemical solutions. As a result of this pricing, Individual A received approximately a forty-percent commission for items he/she sold to Reilly Industries through **GHOLDSON** and Individual B.

5. It was further part of the scheme that after **GHOLDSON** and Individual B purchased merchandise from Drummond American, Individual A ordered Winners Choice cold certificates for **GHOLDSON** and Individual B from Keogh through Lawson.

6. It was further part of the scheme that Individual A ordered Winners Choice certificates for **GHOLDSON** and Individual B from Keogh through the Lawson Family of Businesses. Based on the volume of the purchases and the prices paid by Reilly Industries, Individual A provided **GHOLDSON** and Individual B with Winners Choice certificates equal to approximately ten-percent of the amount of Drummond American product that **GHOLDSON** and Individual B ordered on behalf of Reilly Industries.

7. It was further part of the scheme that Individual A caused Keogh to mail Winners Choice cold certificates and checks to the home addresses of **GHOLDSON** and Individual B to conceal from their employers the fact that Individual A had provided items of value to **GHOLDSON** and Individual B.

8. It was further part of the scheme that Individual A caused Keogh to issue Winners Choice cold certificates and checks in **GHOLDSON**'s spouse's name to conceal from Reilly Industries the fact that Individual A was providing things of value to **GHOLDSON**.

9. It was further part of the scheme that **GHOLDSON** and Individual B redeemed the Winners Choice cold certificates and caused Keogh to mail checks back to them.

10. It was further part of the scheme that **GHOLDSON** and Individual B used the Winners Choice checks to purchase items for their own use.

11. It was further part of the scheme that Individual A, **GHOLDSON**, and Individual B misrepresented, concealed and hid, and caused to be misrepresented, concealed and hidden, the purposes of and acts done in furtherance of the aforementioned scheme.

12. As a result of the scheme, Individual A obtained substantial commissions on sales to Reilly Industries, and fraudulently provided:

- a. **GHOLDSON** with approximately \$80,000 to which he was not entitled;
- b. Individual B with approximately \$8,000 to which he was not entitled.

13. On or about March 2, 2004, at Woodstock, in the Northern District of Illinois,

RON GHOLDSON,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter, to be sent and delivered by the United States Postal Service, according to the directions thereon, an envelope from Keogh in Woodstock, Illinois, to **GHOLDSON** containing approximately \$1,200 worth of Winners Choice certificates, addressed to **GHOLDSON**'s spouse at their residence in Indianapolis, Indiana.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT TWO

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about May 31, 2002, at Woodstock, in the Northern District of Illinois,

RON GHOLDSON,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter, to be sent and delivered by the United States Postal Service, according to the directions thereon, an envelope from Keogh in Woodstock, Illinois, to **GHOLDSON** containing approximately \$1,750 worth of Winners Choice certificates, addressed to **GHOLDSON**'s spouse at their residence in Indianapolis, Indiana.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT THREE

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about August 30, 2002, at Woodstock, in the Northern District of Illinois,

RON GHOLDSON,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter, to be sent and delivered by the United States Postal Service, according to the directions thereon, an envelope from Keogh in Woodstock, Illinois, to **GHOLDSON** containing approximately \$1,400 worth of Winners Choice certificates, addressed to **GHOLDSON**'s spouse at their residence in Indianapolis, Indiana.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT FOUR

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about October 14, 2002, at Woodstock, in the Northern District of Illinois,

RON GHOLDSON,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter, to be sent and delivered by the United States Postal Service, according to the directions thereon, an envelope from Keogh in Woodstock, Illinois, to **GHOLDSON** containing approximately \$1,325 worth of Winners Choice certificates, addressed to **GHOLDSON**'s spouse at their residence in Indianapolis, Indiana.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

COUNT FIVE

The SPECIAL AUGUST 2006-1 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 12 of Count One of this indictment are hereby realleged and incorporated as if fully set forth herein.

2. On or about May 25, 2005, at Lake Bluff, in the Northern District of Illinois,

RON GHOLDSON,

defendant herein, for the purpose of executing the above-described scheme and attempting to do so, knowingly caused to be placed in an authorized depository for mail matter, to be sent and delivered by the United States Postal Service, according to the directions thereon, an envelope from Keogh in Lake Bluff, Illinois, to **GHOLDSON** containing approximately \$625 worth of Winners Choice certificates, addressed to **GHOLDSON**'s spouse at their residence in Indianapolis, Indiana.

In violation of Title 18, United States Code, Sections 1341, 1346, and 2.

FORFEITURE ALLEGATIONS

The SPECIAL AUGUST 2006-1 GRAND JURY further alleges:

1. The allegations contained in Counts One through Eight of this Indictment are realleged and incorporated herein by reference for the purpose of alleging forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. As a result of his violations of Title 18, United States Code, Sections 1341, as alleged in the foregoing Indictment,

RON GHOLDSON,

defendant herein, shall forfeit to the United States, pursuant to Title 18, United States Code, Section, 981(a)(1)(C) and Title 28, United States Code, Section 2461(c), any and all right, title and interest in property, real and personal, which constitutes and is derived from proceeds traceable to the charged offenses.

3. The interests of the defendant subject to forfeiture pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c) include but are not limited to: approximately \$80,000, which represents all proceeds that **GHOLDSON** received in Winners Choice checks from Individual A for purchasing Drummond American products on behalf of Reilly Industries from Individual A.

4. If any of the property subject to forfeiture and described above, as a result of any act or omission of the defendant:

- a. Cannot be located upon the exercise of due diligence;
- b. Has been transferred or sold to, or deposited with, a third party;
- c. Has been placed beyond the jurisdiction of the Court;

- d. Has been substantially diminished in value; or
- e. Has been commingled with other property which cannot be divided without difficulty;

the United States of America shall be entitled to forfeiture of substitute property under the provisions of Title 21, United States Code, Section 853(p), as incorporated by Title 28, United States Code,

Section 2461(c).

All pursuant to Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY